

# ALBERTA COMPLIANCE SERVICES INC.

December 13, 2001

Securities & Exchange Commission  
450 Fifth Street N. W.  
Washington, DC  
USA 20549

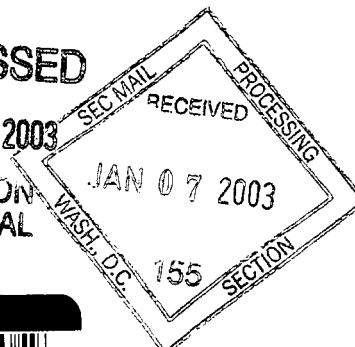


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THOMSON  
FINANCIAL



Attention: Office of International Corporate Finance

Dear Sirs:

Re: CanBaikal Resources Inc. (the "Corporation")  
File No. 82-4694

SUPPL

Please accept for filing the following documents that include information required to be made public:

- 1) Third Quarter Report For the Nine Months Ended September 30, 2001
- 2) BCSC Form 51-901F
- 3) Insider Trading Report for Robert James dated November 14, 2001

Yours truly,

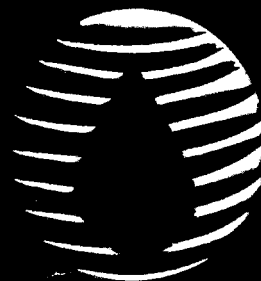
ALBERTA COMPLIANCE SERVICES INC.

*Sherri Van Ham*

Sherri Van Ham  
Associate

*Dec 1/14*

*CanBaikal Resources Inc.*



3

*Third Quarter Report*  
*For the nine months*  
*ended September 30, 2001*

## Corporate Profile

CanBaikal Resources Inc. is a Canadian based oil and gas company operating in Russia. Its mission is to create wealth for shareholders by acquiring and producing large reserves of oil and gas in the prolific western Siberian basin in Russia.

CanBaikal's strengths lie in our close relationship with the major players in the Russian oil and gas industry and the government that administers it. CanBaikal combines extensive senior management experience in the Russian oil and gas sector with Siberia's known enormous and relatively untapped reserves and an increasingly favourable operating environment.

CanBaikal owns a 100% interest in a 400 square kilometre permit in the province of Khanty Mansiysk.

CanBaikal's common stock trades on the Canadian Venture Exchange under the symbol CBQ.

## Summary of Operations

For the Quarter Ended September 30, 2001

	2001	2000
Revenue	\$ 1,868,808	\$ 574,928
Cash flow	\$ 624,938	\$ 242,787
Cash flow per share – basic	\$ 0.03	\$ 0.01
Net earnings	\$ 94,762	\$ 441,925
Net earnings per share – basic	\$ 0.01	\$ 0.02
Shares outstanding – weighted basic	26,916,864	19,492,028
Oil production bbls/d	425	68

## **To the Shareholders**

For the first two months of this quarter, CanBaikal continued to make solid progress financially and operationally. However, production from the block was severely curtailed in the third month of the quarter due to a well breakdown, and this has resulted in a reduction in revenue and earnings.

In order to meet its commitments to renounce tax pools to flow through share purchasers, CanBaikal entered into farm in agreements to drill a number of low risk wells in Alberta and has met with success on four gas wells to date. Management anticipates that these wells will be an addition to the net worth of the company and that CanBaikal will commence to receive income from these wells within the next three months.

The Company continues investigating methods of maximizing shareholder value in this period and has engaged Jennings Capital Inc. to advise the company on sale or financing alternatives. CanBaikal also has completed a consulting agreement with Schlumberger that provides the Company with an assessment of their Russian properties and a plan for their optimal development.

### ***Financial***

The shutting in of well #10 has resulted in a sharp drop in revenue that will last until remedial action is performed on the well. The Company has reduced staff and other operational expenses to meet this challenge. The reduced revenue resulted in a smaller than anticipated profit for the period of \$94,762, and the Company anticipates a loss in the fourth quarter.

### ***Production***

On the morning of September 10, 2001, a sudden incursion of large volumes of water forced the shutdown of well #10. Subsequent analysis indicates that the most probable cause is a fracture of the well casing up hole from the producing zone. The Company will not produce from the well until remedial work is performed. It is anticipated that with remedial work the production level of well #10 would resume to at least the level prior to the incursion.

Prior to the shutdown of well #10, the Company sold an average of 425 barrels per day, compared with 68 barrels per day in 2000. Well #2 continues to produce a steady 125 bbls/d. The Company has taken the opportunity to optimise their production facilities in anticipation of larger production beginning in the winter of 2001 – 2002.

### ***Operations***

The Company plans to increase the proven reserves and daily production by drilling in the known Kulun pool and investigating a new pool in the southern portion of the block.

### ***Corporate Developments***

CanBaikal is completing the first stage of their anticipated cooperation project with Schlumberger Oilfield Services as reported in the last quarterly report. This project involves an evaluation of the CanBaikal Russian assets and the preparation of an optimal development plan. The next phase will involve the drilling of at least three wells followed by an update of the development plan based on information gained from the drilling.

The Jennings Capital mandate intended to maximize shareholder value has identified several interested parties and CanBaikal is involved in talks leading to negotiations.

**Outlook**

Russia has taken several steps to enhance the profitability of oil producers. Their leaders have made recent statements encouraging investment in the Petroleum industry. Although world oil prices have declined sharply, continued uncertainty of supply has encouraged western purchasers to increase their reliance on Russian oil. Two multi-billion dollar projects led by multinational oil companies attest to the growing strength and confidence of the Russian Petroleum sector.

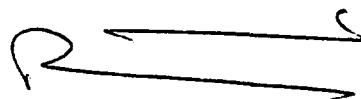
CanBaikal Resources Inc. continues to be well placed to benefit from these developments.

On behalf of the Board,



Robert J. Bolton  
President and CEO

November 21, 2001



R.W. Lamond  
Chairman of the Board

## Management's Discussion and Analysis

The Management's Discussion and Analysis should be read in conjunction with the interim financial statements. The analysis compares the results of operations for the nine months ended September 30, 2001, with the same period in 2000.

	September 30		Increase (Decrease)
	2001	2000	
Oil Production (bbls)	115,625	18,397	97,228
bbls/d (average for the period)	425	68	357
Oil Revenue	\$ 1,868,808	\$ 574,928	\$ 1,293,880
Oil price, net of transportation (\$/bbl)	\$ 16.16	\$ 31.25	\$ (15.09)
Operating expense	\$ 623,786	\$ 43,976	\$ 579,810
\$/bbl	\$ 5.39	\$ 2.39	\$ 3.00
Net operating revenue	\$ 1,245,022	\$ 530,952	\$ 714,070
\$/bbl	\$ 10.76	\$ 28.86	\$ (18.10)
Overhead	\$ 594,837	\$ 315,464	\$ 279,373
\$/bbl	\$ 5.14	\$ 17.15	\$ (12.01)
Income tax (recovery)	\$ 76,289	\$ (301,785)	\$ 378,074
\$/bbl	\$ 0.66	\$ (16.40)	\$ 17.06
Depletion and Depreciation	\$ 453,887	\$ 50,197	\$ 403,690
\$/bbl	\$ 3.93	\$ 2.73	\$ 1.20
Cash flow	\$ 624,938	\$ 242,787	\$ 382,151
\$/bbl	\$ 5.40	\$ 13.19	\$ (7.79)
Profit (loss) for the period	\$ 94,762	\$ 441,925	\$ (347,163)

For the nine months ended September 30, 2001, CanBaikal's production from well #10 and well #2 transported using the 100% owned 28 km pipeline totaled 115,625 bbls, an increase of 97,228 bbls over the same period in 2000. The production averaged 425 barrels per day, including a number of days of no production due to the installation of an independent metering and pumping station and upgrading the metering and pumping facilities at the well #10 and #2 installations. These new facilities allow CanBaikal to independently ship and sell oil and are capable of handling almost all of the anticipated field development. During the comparative period in 2000, oil was intermittently trucked only in the first three months as test production and the pipeline utilization started August 8, 2000.

Revenue increased to \$1,868,808 an increase of \$1,293,880 over the comparable period in 2000 and operating expenses increased to \$623,786 in the same period, due to the increased level of Russian field activities. As well, overhead expenses increased but the resulting production increases have resulted in lower overhead cost per barrel of production.

The shut-in of well #10 that is discussed in the Presidents message to the shareholders, resulted in an 80% drop in production and subsequent revenue.

**CanBaikal Resources Inc.****Balance Sheets as at**

(unaudited)

	September 30 2001	December 31 2000
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 403,925	\$ 568,252
Accounts receivable	154,857	707,082
	<u>558,783</u>	<u>1,275,334</u>
Fixed assets		
Petroleum and natural gas properties, net	3,425,232	2,271,595
Fixed assets	140,333	162,971
	<u>3,565,564</u>	<u>2,434,566</u>
Other assets		
Value added tax recoverable	44,284	264,305
Future income tax recoverable	2,951,773	3,028,062
	<u>\$ 7,120,403</u>	<u>\$ 7,002,267</u>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 308,678	\$ 409,083
Convertible debenture	225,000	325,000
	<u>533,678</u>	<u>734,083</u>
<b>Shareholders' Equity</b>		
Capital stock	10,248,453	10,024,673
Deficit	(3,661,728)	(3,756,489)
	<u>6,586,725</u>	<u>6,268,184</u>
	<u>\$ 7,120,403</u>	<u>\$ 7,002,267</u>

On behalf of the Board

Signed "Robert W. Lamond"

Director

Signed "Robert J. Bolton"

Director

**CanBaikal Resources Inc.**  
**Statements of Operations and Deficit**

(unaudited)

	Three months ended Sept. 30		Nine months ended Sept.30	
	2001	2000	2001	2000
<b>Revenue</b>				
Oil sales	\$ 388,107	\$ 455,103	\$ 1,868,808	\$ 574,928
<b>Expenses</b>				
Operating expenses	178,929	(15,858)	623,786	43,976
General and administrative	186,086	71,979	594,837	315,464
Interest expense	3,966	25,151	25,247	25,151
Depreciation and depletion	108,253	21,547	453,887	50,197
	<u>368,986</u>	<u>102,818</u>	<u>1,697,757</u>	<u>434,788</u>
<b>Net Earnings (loss) for the period, before income tax</b>	(89,127)	352,285	171,051	140,140
<b>Future income tax payable (recoverable)</b>	<u>50,283</u>	<u>52,451</u>	<u>(76,289)</u>	<u>301,785</u>
<b>Net Earnings (loss) for the period</b>	(38,844)	404,735	94,762	441,925
<b>Deficit, beginning of period</b>	<u>(3,622,884)</u>	<u>(6,652,943)</u>	<u>(3,756,489)</u>	<u>(6,690,133)</u>
<b>Deficit, end of period</b>	\$ (3,661,728)	\$ (6,248,208)	\$ (3,661,728)	\$ (6,248,208)
<b>Earnings (loss) per share – basic</b>	\$ 0.00	\$ 0.02	\$ 0.01	\$ 0.01



# **CanBaikal Resources Inc.** **Statements of Cash Flows**

(unaudited)

	Three months ended Sept. 30		Nine months ended Sept. 30	
	2001	2000	2001	2000
<b>Cash provided by (used for):</b>				
<b>Operating activities</b>				
Earnings (loss) for the period	\$ (38,844)	\$ 404,735	\$ 94,762	\$ 441,925
Depreciation and depletion	108,253	21,547	453,887	50,197
Future income tax	(50,283)	—	76,289	(249,335)
<b>Cash flow from (used in) operations</b>	<b>19,126</b>	<b>426,282</b>	<b>624,938</b>	<b>242,787</b>
Change in non-cash operating working capital items	451,212	(195,183)	671,844	(324,049)
	<b>470,338</b>	<b>231,099</b>	<b>1,296,782</b>	<b>(81,262)</b>
<b>Financing activities</b>				
Warrants exercised	94,056	—	125,000	—
Private placement of common shares, net	—	26,604	—	1,037,651
Convertible debenture	—	20,000	—	560,000
Rights offering	—	998,844	—	998,844
Share issue costs	—	(47,431)	—	(47,431)
Subscriptions payable	—	200,200	—	—
Deferred financing charges	—	(94,745)	—	—
Change in non-cash working capital items	1	(330,925)	(1,223)	(330,925)
	<b>94,057</b>	<b>772,544</b>	<b>123,777</b>	<b>2,218,138</b>
<b>Investing activities</b>				
Petroleum and natural gas properties	(572,937)	(195,486)	(1,575,121)	(2,104,311)
Other assets	(1,058)	(38,859)	(9,765)	(56,573)
Change in non-cash working capital items	—	(704,462)	—	224,610
	<b>(573,995)</b>	<b>(938,807)</b>	<b>(1,584,886)</b>	<b>(1,936,273)</b>
<b>Net change in cash for the period</b>	<b>(9,600)</b>	<b>64,836</b>	<b>(164,327)</b>	<b>200,604</b>
<b>Cash and cash equivalents, beginning of the period</b>	<b>413,525</b>	<b>313,489</b>	<b>568,252</b>	<b>177,723</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 403,925</b>	<b>\$ 378,326</b>	<b>\$ 403,925</b>	<b>\$ 378,326</b>
<b>Operating cash flow per share – basic</b>	<b>\$ 0.00</b>	<b>\$ 0.02</b>	<b>\$ 0.03</b>	<b>\$ 0.01</b>
<b>Supplementary information regarding cash payments or receipts:</b>				
Interest paid during the period	\$ 3,966	\$ 25,151	\$ 25,247	\$ 25,151

**CanBaikal Resources Inc.****Notes to the Financial Statements (unaudited)**

For the nine months ended September 30, 2001

Management in accordance with accounting principles generally accepted in Canada has prepared the interim financial statements of CanBaikal Resources Inc. Certain information and disclosures normally required to be included in notes to annual financial statements have been condensed or omitted. The interim financial statements should be read in conjunction with financial statements and the notes thereto in CanBaikal Resources Inc annual Report for the year ended December 31, 2000.

**Significant Accounting Policies**

The financial statements have been prepared following the same accounting policies and methods of computation as the financial statements for the year ended December 31, 2000.

**Share Capital**

CanBaikal Resources Inc. authorized share capital consists of an unlimited number of common shares without nominal or par value.

**Continuity of common shares**

	Shares	Amount
Balance at January 1, 2001	26,631,419	\$ 10,024,673
Issued upon exercise – warrants	30,944	\$ 8,279
Issued upon exercise – convertible debenture	303,030	\$ 100,000
Issued upon exercise – warrants	385,723	\$ 115,717
<u>2000 Share distribution costs – rights offering</u>	<u>–</u>	<u>\$ (216)</u>
<b>Balance at September 30, 2001</b>	<b>27,351,116</b>	<b>\$ 10,248,453</b>

CanBaikal Resources Inc. has a stock option plan that allows employees and directors to receive options to purchase common shares of the Company.

**Continuity of stock options**

	Number of options	Weighted Average Exercise Price
January 1, 2001	1,680,000	\$ 0.63
Cancelled	(75,000)	\$ 0.37
<u>Granted</u>	<u>225,000</u>	<u>\$ 0.38</u>
<b>Stock options outstanding, September 30, 2001</b>	<b>1,830,000</b>	<b>\$ 0.61</b>
Exercisable at September 30, 2001 (market price \$0.24)	275,000	\$ 0.16
\$0.36 to \$0.38	885,000	\$ 0.37
\$0.39 to \$0.99	–	\$ –
<u>Over \$1.00</u>	<u>670,000</u>	<u>\$ 1.12</u>
	<b>1,830,000</b>	<b>\$ 0.61</b>

## **CanBaikal Resources Inc. Corporate Information**

### ***Directors and Officers***

Robert W. Lamond  
*Director, Chairman of the Board*

Robert J. Bolton  
*Director, President and CEO*

Charles A. Teare  
*Director, Chief Financial Officer*

Daryl E. Birnie  
*Director*

Kevin Flaherty  
*Director*

Robert James  
*Director*

Ron Johnston  
*Director*

Alexander A. Borissov  
*Vice-President, Business Development*

John W. McGruther  
*Controller and Corporate Secretary*

### ***Head Office***

2250 Monenco Place  
801 - 6th Avenue S.W.  
Calgary, Alberta  
Canada T2P 3W2

Tel: (403) 264-9200  
Fax: (403) 264-9210  
Website: [www.canbaikal.com](http://www.canbaikal.com)  
E-mail: [info@canbaikal.com](mailto:info@canbaikal.com)

### ***Russian Office***

Nefteyugansk, Russia

### ***Auditors***

Grant Thornton LLP  
Calgary, Alberta

### ***Corporate Engineers***

Gilbert Laustsen Jung Associates Ltd.  
Calgary, Alberta

### ***Legal Counsel***

Fraser Milner Casgrain LLP  
Calgary, Alberta

### ***Listing Information***

Canadian Venture Stock Exchange  
Symbol: CBQ

**British Columbia Securities Commission**  
**QUARTERLY AND YEAR END REPORT**  
**BC FORM 51-901F**

**Issuer Details**

Name of Issuer	For Quarter ended	Date of Report YY/MM/DD
<b>CanBaikal Resources Inc.</b>	<b>Sept 30/01</b>	<b>01/11/28</b>
Issuer Address		
<b>2250, 801 6<sup>th</sup> Avenue S.W.</b>		
City / Province / Postal Code	Issuer fax No.	Issuer Telephone No.
<b>Calgary, Alberta, T2P 3W2</b>	<b>403-264-9210</b>	<b>403-264-9200</b>
Contact Name	Contact Position	Contact Telephone No.
<b>John W. McGruther</b>	<b>Controller</b>	<b>403-264-9200</b>
Contact email address	Website address	
<b>jwmcgruther@canbaikal.com</b>	<b>www.canbaikal.com</b>	
<b>CERTIFICATE</b>		
<i>The three schedules required to complete this Report are attached and the disclosure contained therein has been approved by the Board of Directors. A copy of this Report will be provided to any shareholder who requests it.</i>		
Directors Signature	Print full name	Date signed YY/MM/DD
<b>"signed R. W. Lamond"</b>	<b>Robert W. Lamond</b>	<b>01/11/28</b>
Directors Signature	Print full name	Date signed YY/MM/DD
<b>"signed R. J. Bolton"</b>	<b>Robert J. Bolton</b>	<b>01/11/28</b>

## Schedule A Financial Statements

### CanBaikal Resources Inc. Balance Sheets as at (unaudited)

	September 30, 2001	December 31, 2000
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$403,925	\$568,252
Accounts receivable	154,857	707,082
	<u>558,783</u>	<u>1,275,334</u>
Fixed Assets		
Petroleum and natural gas properties, net	3,425,232	2,271,595
Fixed assets	140,333	162,971
	<u>3,565,564</u>	<u>2,434,566</u>
Other Assets		
Value Added Tax recoverable	44,284	264,305
Future income tax recoverable	2,951,773	3,028,062
	<u>\$7,120,403</u>	<u>\$7,002,267</u>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 308,678	\$409,083
Convertible debenture	225,000	325,000
	<u>533,678</u>	<u>734,083</u>
Shareholders' Equity		
Capital stock	10,248,453	10,024,673
Deficit	(3,661,728)	(3,756,489)
	<u>6,586,725</u>	<u>6,268,184</u>
	<u>\$7,120,403</u>	<u>\$7,002,267</u>

On behalf of the Board

Signed "Robert W. Lamond"  
Director

Signed "Robert J. Bolton"  
Director

Schedule A cont'd  
**CanBaikal Resources Inc.**  
**Statements of Operations and Deficit**  
**(unaudited)**

	Three months ended September 30,		Nine months ended September 30,	
	2001	2000	2001	2000
<b>Revenue</b>				
Oil sales	\$388,107	\$455,103	\$1,868,808	\$574,928
<b>Expenses</b>				
Operating expenses	178,929	(15,858)	623,786	43,976
General and administrative	186,086	71,979	594,837	315,464
Interest expense	3,966	25,151	25,247	25,151
Depreciation and depletion	108,253	21,547	453,887	50,197
	<u>368,986</u>	<u>102,818</u>	<u>1,697,757</u>	<u>434,788</u>
<b>Net Earnings (loss) for the period, before income tax</b>	(89,127)	352,285	171,051	140,140
<b>Future income tax payable (recoverable)</b>	<u>50,283</u>	<u>52,451</u>	<u>(76,289)</u>	<u>301,785</u>
<b>Net earnings (loss) for the period</b>	(38,844)	404,735	94,762	441,925
<b>Deficit, beginning of period</b>	<u>(3,622,884)</u>	<u>(6,652,943)</u>	<u>(3,756,489)</u>	<u>(6,690,133)</u>
<b>Deficit, end of period</b>	<u>(\$3,661,728)</u>	<u>(\$6,248,208)</u>	<u>(\$3,661,728)</u>	<u>(\$6,248,208)</u>
<b>Earnings (loss) per share - basic</b>	<u>\$0.00</u>	<u>\$0.02</u>	<u>\$0.01</u>	<u>\$0.02</u>

Schedule A cont'd  
**CanBakal Resources Inc.**  
**Statements of Cash Flows**  
**(unaudited)**

	Three months ended September 30,		Nine months ended September 30,	
	2001	2000	2001	2000
<b>Cash provided by (used for):</b>				
<b>Operating Activities</b>				
Earnings (loss) for the period	(\$38,844)	\$404,735	\$94,762	\$441,925
Depreciation and depletion	108,253	21,547	453,887	50,197
Future income tax	(50,283)	-	76,289	(249,335)
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	<b>470,338</b>	<b>231,099</b>	<b>1,296,782</b>	<b>(81,262)</b>
<b>Financing Activities</b>				
Warrants exercised	94,056	-	125,000	-
Private placement of common shares, net	-	26,604	-	1,037,651
Convertible debenture	-	20,000	-	560,000
Rights offering	-	998,844	-	998,844
Share issue costs	-	(47,431)	-	(47,431)
Subscriptions payable	-	200,200	-	-
Deferred financing charges	-	(94,745)	-	-
Change in non-cash working capital items	1	(330,925)	(1,223)	(330,925)
	<b>94,057</b>	<b>772,544</b>	<b>123,777</b>	<b>2,218,138</b>
<b>Investing Activities</b>				
Petroleum and natural gas properties	(572,937)	(195,486)	(1,575,121)	(2,104,311)
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	<b>(573,995)</b>	<b>(938,807)</b>	<b>(1,584,886)</b>	<b>(1,936,273)</b>
<b>Net change in cash for the period</b>	<b>(9,600)</b>	<b>64,836</b>	<b>(164,327)</b>	<b>200,604</b>
<b>Cash and cash equivalents, beginning of the period</b>	<b>413,525</b>	<b>313,489</b>	<b>568,252</b>	<b>177,723</b>
<b>Cash and cash equivalents, end of the period</b>	<b>\$403,925</b>	<b>\$378,326</b>	<b>\$403,925</b>	<b>\$378,326</b>
<b>Operating cash flow per share - basic</b>	<b>\$0.00</b>	<b>\$0.02</b>	<b>\$0.03</b>	<b>\$0.01</b>
Supplementary information regarding cash payments or receipts:				
Interest paid during the period	\$ 3,966	25,151	\$25,247	25,151

## Schedule B Supplementary Information

### CanBaikal Resources Inc.

#### Notes to the Financial Statements (unaudited)

For the nine months ended September 30, 2001

Management in accordance with accounting principles generally accepted in Canada has prepared the interim financial statements of CanBaikal Resources Inc.. Certain information and disclosures normally required to be included in notes to annual financial statements have been condensed or omitted. The interim financial statements should be read in conjunction with financial statements and the notes thereto in CanBaikal Resources Inc annual Report for the year ended December 31, 2000.

#### Significant Accounting Policies

The financial statements have been prepared following the same accounting policies and methods of computation as the financial statements for the year ended December 31, 2000.

#### Share Capital

CanBaikal Resources Inc. authorized share capital consists of an unlimited number of common shares without nominal or par value.

#### Continuity of common shares

	Shares	Amount
Balance at January 1, 2001	26,631,419	\$ 10,024,673
Issued upon exercise - warrants	30,944	\$ 8,279
Issued upon exercise - convertible debenture	303,030	\$ 100,000
Issued upon exercise - warrants	385,723	\$ 115,717
2000 Share distribution costs – rights offering	-	\$ (216)
Balance at June 30, 2001	27,351,116	\$ 10,248,453

CanBaikal Resources Inc. has a stock option plan that allows employees and directors to receive options to purchase common shares of the Company.

#### Continuity of stock options

	Number of options	Weighted Average Exercise Price
January 1, 2001	1,680,000	\$ 0.63
Cancelled	(75,000)	\$ 0.37
Granted	225,000	\$ 0.38
Stock options outstanding, September 30, 2001	1,830,000	\$ 0.61
Exercisable at Sept. 30, 2001 (market price \$0.24)	275,000	\$ 0.16
\$0.36 to \$0.38	885,000	\$ 0.37
\$0.39 to \$0.99	-	\$ -
Over \$1.00	670,000	\$ 1.12
	1,830,000	\$ 0.61



## Schedule C Management Discussion and Analysis

The Management's Discussion and Analysis should be read in conjunction with the interim financial statements. The analysis compares the results of operations for the nine months ended September 30, 2001, with the same period in 2000.

	September 30,		Increase
	2001	2000	(Decrease)
Oil Production (bbls)	115,625	18,397	97,228
bbls/d (average for the period)	425	68	357
Oil Revenue	\$ 1,868,808	\$ 574,928	\$ 1,293,880
Oil price, net of transportation (\$/bbl)	\$ 16.16	\$ 31.25	\$ (15.09)
Operating expense	\$ 623,786	\$ 43,976	\$ 579,810
\$/bbl	\$ 5.39	\$ 2.39	\$ 3.00
Net operating revenue	\$ 1,245,022	\$ 530,952	\$ 714,070
\$/bbl	\$ 10.76	\$ 28.86	\$ (18.10)
Overhead	\$ 594,837	\$ 315,464	\$ 279,373
\$/bbl	\$ 5.14	\$ 17.15	\$ (12.01)
Income tax (recovery)	\$ 76,289	\$ (301,785)	\$ 378,074
\$/bbl	\$ 0.66	\$ (16.40)	\$ 17.06
Depletion and Depreciation	\$ 453,887	\$ 50,197	\$ 403,690
\$/bbl	\$ 3.93	\$ 2.73	\$ 1.20
Cash flow	\$ 624,938	\$ 242,787	\$ 382,151
\$/bbl	\$ 5.40	\$ 13.19	\$ (7.79)
Profit (loss) for the period	\$ 94,762	\$ 441,925	\$ ( 347,163)

For the nine months ended September 30, 2001, CanBaikal's production from well # 10 and well # 2 transported using the 100% owned 28 km pipeline totaled 115,625 bbls, an increase of 97,228 bbls over the same period in 2000. The production averaged 425 barrels per day, including a number of days of no production due to the installation of an independent metering and pumping station and upgrading the metering and pumping facilities at the Well #10 and #2 installations. These new facilities allow CanBaikal to independently ship and sell oil and are capable of handling almost all of the anticipated field development. During the comparative period in 2000, oil was intermittently trucked only in the first 3 months as test production and the pipeline utilization started August 8, 2000.

Revenue increased to \$1,868,808 an increase of \$1,293,880 over the comparable period in 2000 and operating expenses increased to \$623,786 in the same period, due to the increased level of Russian field activities. As well, overhead expenses increased but the resulting production increases have resulted in lower overhead cost per barrel of production.

The shut-in of Well #10 that is discussed in the Presidents message to the shareholders, resulted in an 80% drop in production and subsequent revenue.

